

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

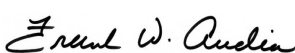
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

# **Michigan 34<sup>th</sup> District Court**

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**Financial Report  
with Supplemental Information  
June 30, 2006**

# Michigan 34<sup>th</sup> District Court

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## Independent Auditor's Report

To the Judges of the State of Michigan  
34<sup>th</sup> Judicial District Court

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the fiduciary funds information of the Michigan 34<sup>th</sup> District Court, which collectively comprise the Court's basic financial statements as of and for the year ended June 30, 2006. These financial statements are the responsibility of the Michigan 34<sup>th</sup> District Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the fiduciary funds information of the Michigan 34<sup>th</sup> District Court and the respective changes in financial position thereof for the year ended June 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Court's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation



to the basic financial statements taken as a whole.

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To the Judges of the State of Michigan  
34<sup>th</sup> Judicial District Court

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Plante & Moran, PLLC*

October 11, 2006

# Michigan 34<sup>th</sup> District Court

## Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2006

	General Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Net Assets - Full Accrual Basis
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 34,011	\$ -	\$ 34,011
Due from Agency Funds	42,491	-	42,491
Prepaid expenses and other assets	63,125	-	63,125
Due from other local governmental units	-	137,984	137,984
Total assets	<u><u>\$ 139,627</u></u>	<u><u>\$ 137,984</u></u>	<u><u>\$ 277,611</u></u>
<b>Liabilities</b>			
Accounts payable	\$ 30,223	\$ -	\$ 30,223
Due to other local governmental units	61,442	-	61,442
Salary withholdings, accrued payroll, and payroll taxes payable	47,962	-	47,962
Compensated absences due within one year	-	127,957	127,957
Compensated absences due in more than one year	-	10,027	10,027
Total liabilities	<u><u>\$ 139,627</u></u>	<u><u>\$ 137,984</u></u>	<u><u>\$ 277,611</u></u>

# Michigan 34<sup>th</sup> District Court

## Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2006

	General Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Activities - Full Accrual Basis
<b>Revenue</b>			
Operating transfer from the City of Romulus	\$ 2,775,000	\$ 12,345	\$ 2,787,345
Other revenue	268,188	-	268,188
Total revenue	3,043,188	12,345	3,055,533
<b>Expenditures</b>			
Salaries and wages	1,832,300	-	1,832,300
Fringe benefits	728,619	12,345	740,964
Attorney fees	46,325	-	46,325
Professional fees and contractual services	113,264	-	113,264
Education and training	7,320	-	7,320
Dues, fees, and subscriptions	48,768	-	48,768
Building insurance, maintenance, and utilities	50,517	-	50,517
Equipment lease and maintenance	38,669	-	38,669
Furniture and equipment	17,640	-	17,640
Jury and witness fees	2,898	-	2,898
Reference material	5,920	-	5,920
Work program	6,756	-	6,756
Printing	32,387	-	32,387
Computer equipment and software	12,590	-	12,590
Supplies	36,116	-	36,116
Telephone	24,177	-	24,177
Travel	731	-	731
Reinstated bond	3,850	-	3,850
Postage	27,132	-	27,132
Total expenditures	3,035,979	12,345	3,048,324
<b>Excess of Revenue Over Expenditures/Change in Net Assets - Before transfer to the City of Romulus</b>	7,209	-	7,209
<b>Transfer to the City of Romulus</b>	(7,209)	-	(7,209)
<b>Excess of Revenue Over Expenditures</b>	-	-	-
<b>Fund Balance/Net Assets - Beginning of year</b>	-	-	-
<b>Fund Balance/Net Assets - End of year</b>	\$ -	\$ -	\$ -



# Michigan 34<sup>th</sup> District Court

## **Fiduciary Funds Statement of Assets and Liabilities June 30, 2006**

	Agency Funds	
	Depository	Bond
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 43,837	\$ 21,997
Investments (Note 3)	736,237	59,525
Due from other governmental units	7,655	-
Total assets	<u><u>\$ 787,729</u></u>	<u><u>\$ 81,522</u></u>
<b>Liabilities</b>		
Due to General Fund	\$ 42,491	\$ -
Due to other local governmental units	546,401	14,262
Due to State of Michigan	166,775	-
Due to Wayne County	32,062	-
Appearance bonds payable	-	67,260
Total liabilities	<u><u>\$ 787,729</u></u>	<u><u>\$ 81,522</u></u>

# Michigan 34<sup>th</sup> District Court

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## Notes to Financial Statements June 30, 2006

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of the Michigan 34<sup>th</sup> District Court (the "Court") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Court:

#### **Reporting Entity**

The Court is reported as a joint venture in the Cities of Romulus and Belleville, and the Townships of Sumpter, Van Buren, and Huron, Michigan's basic financial statements. Based on the significance of any operational or financial relationships with the Court, there are no component units to be included in the Court's financial report.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Court's basic financial statements include both the Court's full accrual financial statements and modified accrual financial statements.

**Full Accrual Financial Statements** - The full accrual financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The statement of net assets includes and recognizes all long-term compensated absence liabilities. The statement of net assets would also recognize all long-term assets; however, these assets have been funded through operating transfers to the General Fund from the City of Romulus and have, therefore, been capitalized by the City of Romulus.

The statement of activities includes expenditures for employee compensated absences.

**Modified Accrual Financial Statements** - The Court's modified accrual financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which is described below.

# Michigan 34<sup>th</sup> District Court

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## Notes to Financial Statements June 30, 2006

### **Note I - Summary of Significant Accounting Policies (Continued)**

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay finance expenditures of the fiscal period. For this purpose, the Court considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Court. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences are recorded only when payment is due.

The accounts of the Court are organized on the basis of funds, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad categories as follows:

#### **Governmental Fund**

**General Fund** - The General Fund contains the records of the ordinary activities of the Court that are not accounted for in another fund. The General Fund includes the general operating expenditures of the Court, which consist mainly of salaries and fringe benefits for Court employees. Revenue is derived primarily from fines and costs payable to the City of Romulus. The City of Romulus approves the Court's annual General Fund operating budget. The Court periodically withdraws funds from the Depository Fund that otherwise would be due to the City of Romulus to operate the Court's General Fund. Excess revenue at year end is payable to the City of Romulus.

#### **Fiduciary Funds**

**Agency Funds** - Agency Funds are used to account for assets held by the Court as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Court uses the following Agency Funds:

- **Depository Fund** - This fund accounts for the receipt of fines and costs associated with criminal and ordinance violations for the five participating local units of government, the State of Michigan, the County of Wayne, and other third parties. The Court then distributes to the participating local units of government, the State of Michigan, and the County of Wayne, their share of fines and costs collected. The Court withdraws from the Depository Fund fines and costs that would otherwise be payable to the City of Romulus to operate the Court's General Fund.

# Michigan 34<sup>th</sup> District Court

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## Notes to Financial Statements June 30, 2006

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

- **Bond Fund** - This fund receives and holds bond monies from defendants as a promise to appear on an appointed court date. After the court date, the monies are applied to fines and costs, bond costs, forfeitures, and refunds, as appropriate.

#### **Financial Statement Amounts**

**Cash and Cash Equivalents** - The Court has defined cash and cash equivalents to include cash on hand and all highly liquid investments purchased with an original maturity of three months or less when acquired.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Note 2 - Reconciliation of the Court as a Whole and the Individual Fund Financial Statements**

The governmental fund balance sheet and statement of revenue and expenditures and changes in fund balance of the Court's General Fund differ from the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the General Fund balance sheet and statement of revenue, expenditures, and changes in fund balance.

The statement of net assets includes the compensated absence liability of the Court employees and the statement of activities includes the expense related to this liability. As the City of Romulus ultimately subsidizes the Court's General Fund operations, a corresponding receivable and operating transfer has been recorded in the statement of net assets and statement of activities for these additional fringe benefits.

### Note 3 - Cash and Cash Equivalents

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Court has designated one bank for the deposit of its funds. The Court has not adopted an investment policy in accordance with Public Act 196 of 1997; however, the Court's deposits and investments are in accordance with statutory authority.

The Court's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Court's deposits may not be returned to it. The Court does not have a deposit policy for custodial credit risk. At year end, the Court had approximately \$31,000 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Court believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Court evaluates each financial institution with which it deposits its funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Court has no investment policy that would further limit its investment choices. As of year end, the Court had approximately \$796,000 invested in mutual funds that were unrated.

# Michigan 34<sup>th</sup> District Court

## Notes to Financial Statements June 30, 2006

### Note 4 - Interfund Receivables

The following are the interfund receivables at June 30, 2006:

Fund Due To	Fund Due From	Amount
General Fund	Depository Fund	\$ 42,491

### Note 5 - Budget Information

The annual budget of the General Fund is prepared by Court management and adopted by the City Council of the City of Romulus, Michigan; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2006 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget process is initiated in January for the following fiscal year. At this time, the financial director provides the Chief Judge with the appropriate financial information. The Chief Judge then prepares the budget and submits it to the City Council shortly thereafter for formal approval.

The budget statement (budgetary comparison schedule - General Fund) is presented on the same basis of accounting used in preparing the adopted budget.

The General Fund budget has been adopted in total; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. While the City Council has adopted a General Fund budget in total, a comparison of actual results of operations to the General Fund budget is included in the financial statements at the line-item level.

### Note 6 - Allocation to Local Units

The Depository Fund of the Court receives all fines, costs, and probation income. These receipts are allocated to its District Control Unit and each participating local unit on a specific identification basis, as follows:

- One-third of fines, costs, and probation income specifically identified to the City of Belleville, Huron Township, Sumpter Township, and Van Buren Township is remitted to those communities. The remaining two-thirds is retained by this fund.

# Michigan 34<sup>th</sup> District Court

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## Notes to Financial Statements June 30, 2006

### Note 6 - Allocation to Local Units (Continued)

- Fines and costs collected by the Court within 14 days from the date of infraction are returned in full to the local participating unit of government and are not subject to the two-thirds reduction described above.
- On a monthly basis, the Depository Fund transfers funds to the Court's General Fund, in an amount necessary to meet its operating budget.
- Statutory payments are remitted to the State of Michigan and Wayne County; remaining assets are remitted to the District Control Unit, City of Romulus.

### Note 7 - Postemployment Benefits

The Court provides health care and dental benefits to employees upon retirement, in accordance with labor contracts. Currently, five retirees are eligible. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$44,000.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

### Note 8 - Risk Management

The Court is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Court has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### **Note 9 - Defined Contribution Retirement Plan**

Previously, the Court provided pension benefits for all its salaried and clerical employees through a multi-employer defined contribution plan sponsored by the City of Romulus. Effective September 1, 2004, the Court's employees had the option to either remain in the City of Romulus plan or switch to the Municipal Employees' Retirement System of Michigan (MERS). Employees with a loan balance with the City of Romulus pension plan were required to remain in the City's plan. All employees hired subsequent to September 1, 2004 are automatically enrolled in the MERS plan and have no option to enroll in the City of Romulus plan.

#### **City of Romulus Retirement System**

The City of Romulus retirement system is a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At June 30, 2006, there were six employees participating in the City of Romulus pension system. As established by labor contracts, the plan requires the Court to make contributions totaling 10 percent of employees' base earnings (no overtime). Employees may make voluntary contributions up to a maximum of 10 percent of their annual compensation during each of these years. Full vesting takes place after 20 months of service for all contributions and related account earnings. In accordance with these requirements, the Court contributed approximately \$26,000. There were no employee elective contributions during the year.

#### **MERS Retirement System**

**Plan Description** - The Court also participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all its salaried and clerical employees not electing to participate in the City of Romulus Retirement System described above. The MERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48917.

**Funding Policy** - The obligation to contribute to and maintain the MERS for these employees was established by negotiation with the Court's competitive bargaining units and does not require a contribution from the employees.



### **Note 9 - Defined Contribution Retirement Plan (Continued)**

**Annual Pension Cost** - For the year ended June 30, 2006, the Court's annual pension cost of approximately \$132,000 for the MERS was equal to the Court's required contribution. The annual required contribution was determined as part of an actuarial valuation at September 1, 2004, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) no cost-of-living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years. Trend data and a schedule of funding progress are not available as an updated actuarial valuation has not been performed.

## **Required Supplemental Information**

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# Michigan 34<sup>th</sup> District Court

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2006

	Budget	Actual	Favorable (Unfavorable) Variances with Amended Budget
<b>Revenue</b>			
Operating transfer from the City of Romulus	\$ 2,775,000	\$ 2,775,000	\$ -
Other revenue	504,937	268,188	(236,749)
Total revenue	3,279,937	3,043,188	(236,749)
<b>Expenditures</b>			
Salaries and wages	1,899,437	1,832,300	67,137
Fringe benefits	828,000	728,619	99,381
Attorney fees	55,000	46,325	8,675
Professional fees and contractual services	131,000	113,264	17,736
Education and training	10,000	7,320	2,680
Dues, fees, and subscriptions	51,000	48,768	2,232
Building insurance, maintenance, and utilities	71,000	50,517	20,483
Equipment lease and maintenance	40,000	38,669	1,331
Furniture and equipment	15,000	17,640	(2,640)
Jury and witness fees	8,000	2,898	5,102
Reference material	8,000	5,920	2,080
Work program	2,500	6,756	(4,256)
Printing	40,000	32,387	7,613
Computer equipment and software	25,000	12,590	12,410
Supplies	30,000	36,116	(6,116)
Telephone	25,000	24,177	823
Travel	1,000	731	269
Reinstated bond	2,000	3,850	(1,850)
Postage	38,000	27,132	10,868
Total expenditures	3,279,937	3,035,979	243,958
<b>Excess of Revenue Over Expenditures - Before transfer to the City of Romulus</b>	-	7,209	7,209
<b>Transfer to the City of Romulus</b>	-	(7,209)	(7,209)
<b>Excess of Revenue Over Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## **Other Supplemental Information**

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# Michigan 34<sup>th</sup> District Court

## Combining Statement of Changes in Assets and Liabilities Agency Funds Year Ended June 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<b><u>Depository Fund</u></b>				
<b>Assets - Cash and cash equivalents</b>	<b>\$ 640,525</b>	<b>\$ 7,037,231</b>	<b>\$ 6,890,027</b>	<b>\$ 787,729</b>
<b>Liabilities</b>				
Due to General Fund	\$ 35,923	\$ 284,147	\$ 277,579	\$ 42,491
Due to other local governmental units	396,337	4,435,117	4,285,053	546,401
Due to State of Michigan	127,685	1,510,681	1,471,591	166,775
Due to Wayne County	74,676	731,834	774,448	32,062
Due to others	5,904	75,452	81,356	-
Total liabilities	<b>\$ 640,525</b>	<b>\$ 7,037,231</b>	<b>\$ 6,890,027</b>	<b>\$ 787,729</b>
<b><u>Bond Fund</u></b>				
<b>Assets - Cash and cash equivalents</b>	<b>\$ 60,937</b>	<b>\$ 855,417</b>	<b>\$ 834,832</b>	<b>\$ 81,522</b>
<b>Liabilities</b>				
Due to other local governmental units	\$ 1,334	\$ 21,325	\$ 8,397	\$ 14,262
Appearance bonds payable	59,603	834,092	826,435	67,260
Total liabilities	<b>\$ 60,937</b>	<b>\$ 855,417</b>	<b>\$ 834,832</b>	<b>\$ 81,522</b>

October 11, 2006

Honorable Judges of the State of Michigan  
34<sup>th</sup> Judicial District Court  
11131 Wayne Road  
Romulus, MI 48174

Dear Judges:

We recently completed our audit of the basic financial statements of the State of Michigan 34<sup>th</sup> Judicial District Court for the year ended June 30, 2006. As a result of our audit, we have the following comments and recommendations for your review and consideration.

## **FINANCIAL POLICIES**

### **New System Reporting**

With the Court's transition to the JIS cash receipting software during the year, it appears the new system provides the Court with a higher level of sophistication in its reporting capabilities over the previous system. As a result, certain procedures necessary in reconciling the previous system are no longer required, as the new system automatically generates the required information. We recommend the Court review its reconciliation processes to determine if efficiencies can be gained based on the capabilities of the new system.

### **Pension and Retiree Health Care Costs**

Since the Court has begun participating in MERS, it is our understanding that an actuarial report is required at least every two years to determine the annual required contribution to the plan. The last actuarial report conducted for the Court was dated September 2004. We recommend the Court obtain an updated actuarial valuation in the coming months. In addition, the Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Post Employment Benefits Other Than Pensions*. The new rules require the Court's full accrual financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the premiums are paid. We recommend the Court work with the City to obtain an actuarial valuation for these costs.

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## **INTERNAL CONTROL CONSIDERATIONS**

### **Access to blank checks**

It is our understanding that blank checks are stored in the vault. A number of individuals have access to the vault including several individuals with check signing authority. The Court may consider reviewing the storage of blank checks to better control access.

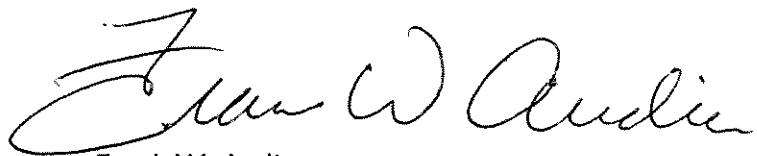
### **Investment, credit card and ACH policies**

The Court currently does not have a formal investment or credit card policy, nor does it have a formal authorization permitting wire transfer activity. We recommend the Court consider requesting the City pass a resolution to amend their policies to include the Court.

We would like to thank the Court's personnel for their assistance during the audit. We appreciate the opportunity to serve as your auditors. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

**PLANTE & MORAN, PLLC**



Frank W. Audia



Stacey L. Reeves